

Revenue Canada, Taxation

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Government
Publications



Revenue Canada
Taxation

Revenu Canada
Impôt

Understanding **INCOME TAX**



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Canada

Ce dépliant est aussi disponible en français.

Copies of this leaflet are available free of charge from district taxation offices.

Revenue Canada, Taxation is responsible for assessing and collecting individual and corporate income taxes under the Income Tax Act of Canada. It also collects individual income tax for all provinces except Quebec and corporate tax for all provinces except Quebec, Ontario and Alberta.

The Department is also responsible for collecting taxes under the Petroleum and Gas Revenue Tax Act, which is separate from the Income Tax Act. In addition, it collects Canada Pension Plan contributions and Unemployment Insurance premiums.

The Department of National Revenue came into being in 1927, with Taxation as one component and Customs and Excise as the other.

The objectives of the Taxation component are

- to collect the taxes, Canada Pension Plan contributions and Unemployment Insurance premiums imposed under the law by facilitating and encouraging voluntary compliance and by deterring tax evasion and tax avoidance, and
- to maintain public confidence in the integrity of the tax system by administering tax legislation fairly, uniformly and courteously.

The law

Tax laws are proposed by the Department of Finance, authorized by Parliament and interpreted and administered by Revenue Canada, Taxation.

Each national budget introduced by the Minister of Finance usually announces changes in taxes, and seldom does a session of Parliament pass without amendments to the Income Tax Act.

Self-assessment

Canada has a self-assessment income tax system as do some other countries such as the United States, Australia and New Zealand.

Under this system, taxpayers volunteer the facts about their income and calculate the taxes they must pay. In most cases, they have already paid all or part of their taxes through deductions at the source of their income or by instalment payments.

Compliance

While most people comply with the law, a self-assessment tax system can be maintained only through a vigilant and continuous inspection of returns. This is the purpose of tax audit – to monitor and maintain the self-assessment system and to achieve uniform compliance with the law.

There are two basic types of tax audit: the office audit and the field audit.

The office audit clears up details of income, expenses and transactions reported by the taxpayers on their returns. Questions are usually resolved by letter, telephone call or personal interview.

The field audit involves a detailed examination of the taxpayer's records, usually at the place of business.

Almost all Canadians file correct returns on time and pay the balance of tax owing, if any. But some are careless or negligent, or deliberately try to avoid paying taxes. The search for delinquent taxpayers is conducted by district office staff with the assistance of taxation centre computers.

Computer records of previous year's filers are searched to detect cases where the income pattern suggests a current-year return should be obtained. Payroll reports from employers are carefully checked to ensure that employees have filed, and have filed correctly. Searches are made of professional and other directories to determine if tax returns are being filed by persons listed. Information

about business is gathered by payroll auditors and tax auditors in their field work and from various third party sources.

Tax avoidance and evasion

Taxpayers are entitled to arrange their affairs to keep their taxes to a minimum – providing that this is done within the framework of the law. But transactions for avoiding tax may produce a tax result not intended by Parliament, which may be contrary to the law when all the facts are known.

The Department looks into cases where taxpayers appear to have circumvented the law by using a scheme, often quite complex, to defer, reduce or avoid the tax owed. Such cases come within the realm of tax avoidance and are usually solved by a reassessment of the taxpayer. Some have to be solved by amendments to the Act.

Tax evasion, on the other hand, involves a taxpayer knowingly and deliberately attempting to deceive so the tax paid or payable is less than the tax liability under the law.

The Department investigates cases where a taxpayer is suspected of committing a tax offence or where there is evidence of a conspiracy to commit an offence.

The first clue that someone may be evading taxes may come from one of several sources – the Department's own auditors, assessors and collection officers; investigations into the affairs of other taxpayers; planned departmental programs through which a particular occupation is being surveyed; newspaper reports; public records or any unusual circumstances that attract attention.

Experience has shown that prosecution of tax evaders and the subsequent publicity has a threefold effect. First, convicted taxpayers are

punished. Second, others are deterred from attempting to evade taxes. Third, voluntary disclosures are encouraged.

Voluntary disclosure

Revenue Canada, Taxation encourages voluntary disclosures from those who have never filed a return or who have filed false returns. Taxpayers who make a complete voluntary disclosure related to those returns are permitted to settle their tax liability by paying the tax and interest due without penalty or prosecution, except for the late-filing penalty in the case of a non-filer.

Appeals

Inevitably there will be times when taxpayers and the tax collector will differ on questions of fact and law.

If differences persist after an assessment is issued, the taxpayer has 90 days in which to file a notice of objection. This initiates an independent review of the case by an appeals officer in the district office.

Assessments may then be appealed to the Tax Court of Canada or Federal Court. Decisions of this court can, in turn, be appealed to the Supreme Court of Canada if the amount involved is more than \$10,000. Most objections, however, are entirely or partly resolved at the district offices.

Departmental organization

Revenue Canada, Taxation is organized into a Head Office in Ottawa; 30 district offices and four sub-offices across Canada, where most of the direct contact with taxpayers takes place; taxation centres in St. John's (Newfoundland), Jonquière and Shawinigan-Sud (Quebec), Ottawa and Sudbury (Ontario), Winnipeg (Manitoba) and Surrey (British Columbia).

District taxation offices

NEWFOUNDLAND

- 01 - 165 Duckworth St.
St. John's, Nfld.
A1C 5X6
Local calls: 772-5050
Long distance calls:
1-772-5060

PRINCE EDWARD ISLAND

- 02 - 90 Richmond St.
Charlottetown, P.E.I.
C1A 8L3
Local calls: 566-7200
Long distance calls:
1-892-4291

NOVA SCOTIA

- 03 - 1557 Hollis St.
Halifax, N.S.
B3J 2T5
Local calls: 426-2210
Long distance calls:
1-426-3360

- 04 - 60 Dorchester St.
Sydney, N.S.
B1P 6K3
Local calls: 539-2150
Long distance calls:
1-539-5361

NEW BRUNSWICK

- 05 - 65 Canterbury St.
Saint John, N.B.
E2L 4H9
Local calls: 648-4600
Long distance calls:
1-800-222-9622

786 King Ave
Bathurst, N.B.
E2A 1R5
Local calls only: 548-4407

QUEBEC

- 06 - 165 Dorchester St. S.
Quebec, Québec
G1K 7L3
Local calls: 694-3180
Long distance calls:
- From area code 418, dial
1-800-463-4421
- From area code 819, dial
1-800-463-4413

55 Racine St. E.
Chicoutimi, Québec
G7H 1P9
Local calls only: 545-1912

411 Sirois St.
Rimouski, Québec
G5L 8B2
Local calls only: 722-3111

1055 des Forges Blvd
Trois Rivières, Québec
Local calls only: 373-2723

- 07 - 50 Couture St.
Sherbrooke, Québec
J1H 5L8
Local calls: 565-4888
Long distance calls:
1-800-567-6184

- 08 - 305 Dorchester Blvd. W.
Montréal, Québec
H2Z 1A6
Local calls: 283-5300
Long distance calls:
Zenith 0-4000

- 06 - 3131 St. Martin Blvd. W.
Laval, Québec
H7T 2A7
Local calls only: 283-5300

- 47 - 5245 Cousineau Blvd.
St. Hubert, Québec
J3Y 7Z7
Local calls only: 283-5300

- 09 - 11 Terminus St. E.
Rouyn, Québec
J9X 3B5
Local calls: 764-5171
Long distance calls:
Zenith 0-4000

ONTARIO

- 10 - 360 Lisgar St.
Ottawa, Ont.
K1A 0L9
Local calls: 996-8340
Long distance calls:
- From area code 613, dial
1-800-267-8440
- From area code 819, dial
1-800-267-4735

- 11 - 385 Princess St.
Kingston, Ont.
K7L 1C1
Local calls: 542-2831
Long distance calls:
1-800-267-0922

- 12 - 11 Station St.
Belleville, Ont.
K8N 2S3
Local calls: 962-8611
Long distance calls:
1-800-267-2130

- 13 - 36 Adelaide St. E.
Toronto, Ont.
M5C 1J7
Local calls: 869-1500
Long distance calls:
- From area code 416, dial
1-800-387-1700
- From area codes 519, 705, dial
1-800-387-1710

- 14 - 150 Main St. W.
Hamilton, Ont.
L8N 3E1
Local calls: 522-8671
Long distance calls:
- From area code 416, dial
1-800-263-9200
- From area code 519, dial
1-800-263-9210

- 15 - 166 Frederick St.
Kitchener, Ont.
N2G 4N1
Local calls: 579-2230
Long distance calls:
1-800-265-2530

- 16 - 32 Church St.
St. Catharines, Ont.
L2R 3B9
Local calls: 688-4000
Long distance calls:
1-800-263-5672

- 17 - 451 Talbot St.
London, Ont.
N6A 5E5
Local calls: 679-4211
Long distance calls:
1-800-265-4900

- 18 - 185 Ouellette Ave.
Windsor, Ont.
N9A 5S8
Local calls: 258-8302
Long distance calls:
1-800-265-4841

- 19 - 19 Lisgar St. S.
Sudbury, Ont.
P3E 3L5
Local calls: 675-0581
Long distance calls:
1-800-461-4060

- 20 - 201 North May St.
Thunder Bay, Ont.
P7C 3P5
Local calls: 623-2751
Long distance calls:
1-800-465-6961

MANITOBA

- 21 - 391 York Ave.
Winnipeg, Man.
R3C 0P5
Local calls: 949-6350
Long distance calls:
1-800-282-8079

SASKATCHEWAN

- 22 - 1955 Smith St.
Regina, Sask.
S4P 2N9
Local calls: 359-6015
Long distance calls:
800-552-8031

- 23 - 201 - 21st St. E.
Saskatoon, Sask.
S7K 0A8
Local calls: 665-4595
Long distance calls:
800-772-8737

ALBERTA

- 24 - 220 - 4th Ave. S.E.
Calgary, Alta.
T2G 0L1
Local calls: 231-4101
Long distance calls:
1-800-332-1410

- 25 - 9820 - 107th St.
Edmonton, Alta.
T5K 1E8
Local calls: 420-3510
Long distance calls:
1-800-232-1966 (Alta.)
Zenith 0-4000 (Other)

BRITISH COLUMBIA

- 26 - 277 Winnipeg St.
Penticton, B.C.
V2A 1N6
Local calls: 493-3616
Long distance calls:
112-493-2101

- 27 - 1166 West Pender St.
Vancouver, B.C.
V6E 3H8
Local calls: 689-5411
Long distance calls:
112-800-663-9033
Yukon Territory and
North Eastern B.C.:
Zenith 0-4000

- 28 - 1415 Vancouver St.
Victoria, B.C.
V8V 3W4
Local calls: 388-0121
Long distance calls:
112-800-742-6108

If phoning, please have your tax records and this guide ready.
Long Distance Calls: No charge to caller in Canada.
- For Zenith numbers, dial "0" and ask for Zenith 0-4000
- For other numbers, dial direct